Mthonjaneni Local Municipality
(Registration number KZ 285)
Annual Financial Statements for the year ended 30 June 2016

General Information

Mayoral committee	
Executive Mayor	Cllr S.B.K. Biyela
Councillors	Cllr N.A Jiyane (Speaker)
	Cllr P.E. Ntombela (Deputy Mayor)
	Cllr D.M. Dludla (Exco Member)
	Cllr E Masikane (Exco Member)
	Cllr M.J. Xulu (Exco Member)
	Cllr H.K.L Zungu
	Cllr M.E. Zulu
	Cllr Z.A. Sibiya
	Cllr M.S Zulu
	Cllr E.M. Mthembu
	Cllr M.N. Ndlangamandla
	Cllr M.N. Biyela
	Cllr M.V. Mchunu
	Cllr T.F. Zincume
	Cllr J Mlawu
	Cllr D.F. Xulu
	Cllr B.N. Zwane
	Cllr T.E. Mpungose
	Cllr P.S.M. Mchunu
	Cllr N.N. Nzuza
	Cllr S.P. Buthelezi
	Cllr B.M.T Sibiya
	Cllr D.M.O. Ngcobo
	Cllr N.P. Shobede
Accounting Officer	Mr P.P Sibiya
Chief Finance Officer (CFO)	Mr S.S Mbuyazi
Registered office	Mthonjaneni Municipality
Business address	21 Reinhold Street Melmoth 3835
Postal address	P.O.Box 11 Melmoth 3835
Auditors	Auditor General Chartered Accountants (S.A.) Registered Auditors
Attorneys	Wynne & Wynne
Telephone Number	(035) 450 2082
Fax number	(035) 450 2056
Email- address	mm@mthonjaneni.org.za
Bankers	First National Bank

General Information

Preparer	The annual financial statements were internally compiled by: Mr S.S Mbuyazi Acting Chief Financial Officer

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year ended 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certify that salaries, allowances and benefits of Councillors, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. 5.

The annual financial statements set out on pages 5 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2016 and were signed on its behalf by:

Mr P.F. Sibiya
Acting Municipal Manager

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Inventories	9	459 636	481 154
Receivables from non-exchange transactions	11	18 956 301	15 490 036
VAT receivable	12	987 522	239 758
Consumer debtors	13	4 435 485	3 711 048
Cash and cash equivalents	14	42 470 320	49 259 099
		67 309 264	**69 181 095**
Non-Current Assets			
Biological assets	3	2 661 916	2 264 535
Investment property	4	2 367 591	2 408 420
Property, plant and equipment	5	187 606 091	159 720 128
Intangible assets	6	98 998	125 317
Heritage assets	7	589	589
		192 735 185	**164 518 989**
Total Assets		**260 044 449**	**233 700 084**
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	8 591 142	4 758 333
Consumer deposits	18	1 025 890	1 018 942
Unspent conditional grants and receipts	15	176 776	295 135
Provisions	16	409 492	485 657
		10 203 300	**6 558 067**
Non-Current Liabilities			
Employee benefit obligation	8	2 544 047	2 563 000
Provisions	16	4 667 747	2 382 527
		7 211 794	**4 945 527**
Total Liabilities		**17 415 094**	**11 503 594**
Net Assets		**242 629 355**	**222 196 490**
Accumulated surplus		242 625 635	222 196 494

Mthonjaneni Local Municipality
(Registration number KZ 285)
Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Service charges	21	20 521 760	20 576 708
Rental of facilities and equipment	28	247 044	366 402
Licences and permits	27	2 070 427	2 359 911
Other income	23	964 392	4 911 115
Interest received - investment	29	3 283 879	2 901 295
Total revenue from exchange transactions		**27 087 502**	**31 115 431**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	9 722 820	7 361 564
Property rates - penalties imposed	20	728 329	678 305
Transfer revenue			
Government grants & subsidies	22	65 702 359	53 258 865
Fines, Penalties and Forfeits		24 308 963	18 232 020
Total revenue from non-exchange transactions		**100 462 471**	**79 530 754**
Total revenue	19	**127 549 973**	**110 646 185**
Expenditure			
Employee related costs	25	(24 982 176)	(23 722 047)
Remuneration of councillors	26	(3 168 003)	(2 943 509)
Depreciation and amortisation	31	(5 808 916)	(4 693 341)
Impairment loss/ Reversal of impairments	32	-	(2 409 656)
Repairs and maintenance	35	(7 776 346)	(2 765 840)
Bulk purchases	36	(19 079 101)	(18 194 021)
Contracted services	34	(2 159 221)	(2 366 269)
General Expenses	24	(44 559 682)	(27 150 579)
Total expenditure		**(107 533 445)**	**(84 245 262)**
Operating surplus		**20 016 528**	**26 400 923**
Fair value adjustments	30	397 381	-
Actuarial gains/losses	8	18 953	(1 124 000)
		416 334	**(1 124 000)**
Surplus for the year		**20 432 862**	**25 276 923**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014	**196 919 571**	**196 919 571**
Changes in net assets		
Surplus for the year	25 276 923	25 276 923
Total changes	25 276 923	25 276 923
Balance at 01 July 2015	**222 192 773**	**222 192 773**
Changes in net assets		
Surplus for the year	20 432 862	20 432 862
Total changes	20 432 862	20 432 862
Balance at 30 June 2016	**242 625 635**	**242 625 635**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Taxation		6 331 298	7 185 093
Sale of goods and services		22 331 422	27 892 314
Grants		90 546 549	65 227 949
Interest income		3 283 879	2 901 295
		122 493 148	103 206 651
Payments			
Employee costs		(28 150 180)	(26 398 556)
Suppliers		(67 504 020)	(52 504 235)
		(95 654 200)	(78 902 791)
Net cash flows from operating activities	37	**26 838 948**	**24 303 860**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(33 620 731)	(21 181 888)
Purchase of other intangible assets	6	(6 999)	-
Net cash flows from investing activities		**(33 627 730)**	**(21 181 888)**
Net increase/(decrease) in cash and cash equivalents		**(6 788 782)**	**3 121 972**
Cash and cash equivalents at the beginning of the year		49 259 035	46 137 063
Cash and cash equivalents at the end of the year	14	**42 470 253**	**49 259 035**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges		23 503 000	-	**23 503 000**	20 521 760	**(2 981 240)**
Rental of facilities and equipment		462 033	-	**462 033**	247 044	**(214 989)**
Licences and permits		3 544 674	-	**3 544 674**	2 070 427	**(1 474 247)**
Rezoning		15 900	-	**15 900**	-	**(15 900)**
Other income		2 115 543	-	**2 115 543**	964 392	**(1 151 151)**
Interest received - investment		2 968 000	-	**2 968 000**	3 283 879	**315 879**
Total revenue from exchange transactions		**32 609 150**	**-**	**32 609 150**	**27 087 502**	**(5 521 648)**
Revenue from non-exchange transactions						
Taxation revenue						
Property rates		14 987 000	(3 000 000)	**11 987 000**	9 722 820	**(2 264 180)**
Property rates - penalties imposed		672 252	-	**672 252**	728 329	**56 077**
Transfer revenue						
Government grants & subsidies		67 441 000	9 000	**67 450 000**	65 702 359	**(1 747 641)**
Fines, Penalties and Forfeits		18 842 298	-	**18 842 298**	24 308 963	**5 466 665**
Total revenue from non-exchange transactions		**101 942 550**	**(2 991 000)**	**98 951 550**	**100 462 471**	**1 510 921**
Total revenue		**134 551 700**	**(2 991 000)**	**131 560 700**	**127 549 973**	**(4 010 727)**
Expenditure						
Personnel		(27 665 241)	66 384	**(27 598 857)**	(24 982 176)	**2 616 681**
Remuneration of councillors		(3 366 422)	-	**(3 366 422)**	(3 168 003)	**198 419**
Depreciation and amortisation		(5 613 008)	(950 000)	**(6 563 008)**	(5 808 916)	**754 092**
Repairs and maintenance		(6 822 350)	(1 192 478)	**(8 014 828)**	(7 776 346)	**238 482**
Bulk purchases		(21 050 650)	-	**(21 050 650)**	(19 079 101)	**1 971 549**
Contracted Services		(2 904 845)	-	**(2 904 845)**	(2 159 221)	**745 624**
Transfers and Subsidies		(686 000)	(2 688 000)	**(3 374 000)**	-	**3 374 000**
General Expenses		(36 983 579)	(292 000)	**(37 275 579)**	(44 559 682)	**(7 284 103)**
Total expenditure		**(105 092 095)**	**(5 056 094)**	**(110 148 189)**	**(107 533 445)**	**2 614 744**
Operating surplus	**29 459 605**	**(8 047 094)**	**21 412 511**	**20 016 528**	**(1 395 983)**	
Fair value adjustments		-	-	-	397 381	**397 381**
Actuarial gains/losses		-	-	-	18 953	**18 953**
		-	**-**	**-**	**416 334**	**416 334**
Surplus before taxation	**29 459 605**	**(8 047 094)**	**21 412 511**	**20 432 862**	**(979 649)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement		**29 459 605**	**(8 047 094)**	**21 412 511**	**20 432 862**	**(979 649)**

For explanations of variances between the budget and actual figures please refer to note 47.

Mthonjaneni Local Municipality

(Registration number KZ 285)
Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	15 659 252	(3 000 000)	12 659 252	-		12 659 252	10 451 149		(2 208 103)	83 %	67 %
Service charges	23 503 000	-	23 503 000	-		23 503 000	20 521 760		(2 981 240)	87 %	87 %
Investment revenue	2 968 000	-	2 968 000	-		2 968 000	3 283 879		315 879	111 %	111 %
Transfers recognised - operational	46 537 000	9 000	46 546 000	-		46 546 000	44 680 000		(1 866 000)	96 %	96 %
Other own revenue	24 980 400	-	24 980 400	-		24 980 400	27 997 160		3 016 760	112 %	112 %
Total revenue (excluding capital transfers and contributions)	**113 647 652**	**(2 991 000)**	**110 656 652**	**-**		**110 656 652**	**106 933 948**		**(3 722 704)**	**97 %**	**94 %**
Employee costs	(27 665 241)	66 384	(27 598 857)	-	-	(27 598 857)	(24 982 176)	-	2 616 681	91 %	90 %
Remuneration of councillors	(3 366 422)	-	(3 366 422)	-	-	(3 366 422)	(3 168 003)	-	198 419	94 %	94 %
Depreciation and asset impairment	(5 613 008)	(950 000)	(6 563 008)			(6 563 008)	(5 808 916)	-	754 092	89 %	103 %
Materials and bulk purchases	(27 873 000)	(1 192 478)	(29 065 478)	-	-	(29 065 478)	(27 021 763)	-	2 043 715	93 %	97 %
Other expenditure	(40 574 424)	(2 980 000)	(43 554 424)	-	-	(43 554 424)	(46 539 789)	(10 770 311)	(2 985 365)	107 %	115 %
Total expenditure	**(105 092 095)**	**(5 056 094)**	**(110 148 189)**	**-**	**-**	**(110 148 189)**	**(107 520 647)**	**(10 770 311)**	**2 627 542**	**98 %**	**102 %**
Surplus/(Deficit)	**8 555 557**	**(8 047 094)**	**508 463**	**-**		**508 463**	**(586 699)**		**(1 095 162)**	**(115)%**	**(7)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	20 904 000	-	20 904 000	-		20 904 000	21 022 359		118 359	101 %	101 %
Surplus (Deficit) after capital transfers and contributions	**29 459 557**	**(8 047 094)**	**21 412 463**	**-**		**21 412 463**	**20 435 660**		**(976 803)**	**95 %**	**69 %**
Surplus/(Deficit) for the year	29 459 557	(8 047 094)	21 412 463	-		21 412 463	20 435 660		(976 803)	95 %	69 %
Capital expenditure and funds sources											
Total capital expenditure	28 956 000	8 383 000	37 339 000	-		37 339 000	37 339 000		-	100 %	129 %
Sources of capital funds											
Transfers recognised - capital	20 904 000	-	20 904 000	-		20 904 000	21 022 359		118 359	101 %	101 %
Internally generated funds	8 052 000	8 383 000	16 435 000	-		16 435 000	16 435 000		-	100 %	204 %
Total sources of capital funds	**28 956 000**	**8 383 000**	**37 339 000**	**-**		**37 339 000**	**37 457 359**		**118 359**	**100 %**	**129 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	23 804 000	(4 840 000)	18 964 000	-		18 964 000	26 838 948		7 874 948	142 %	113 %
Net cash from (used) investing	(28 524 000)	(11 635 000)	(40 159 000)	-		(40 159 000)	(33 627 730)		6 531 270	84 %	118 %
Net cash from (used) financing	90 000	-	90 000	-		90 000	-		(90 000)	- %	- %
Net increase/(decrease) in cash and cash equivalents	**(4 630 000)**	**(16 475 000)**	**(21 105 000)**	**-**		**(21 105 000)**	**(6 788 782)**		**14 316 218**	**32 %**	**147 %**
Cash and cash equivalents at the beginning of the year	42 139 000	-	42 139 000	-		42 139 000	49 259 099		7 120 099	117 %	117 %
Cash and cash equivalents at year end	**37 509 000**	**(16 475 000)**	**21 034 000**	**-**		**21 034 000**	**42 470 317**		**(21 436 317)**	**202 %**	**113 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2015				
Financial Performance				
Property rates				8 039 869
Service charges				20 576 708
Investment revenue				2 901 295
Transfers recognised - operational				37 767 224
Other own revenue				25 869 448
Total revenue (excluding capital transfers and contributions)				**95 154 544**
Employee costs	(24 487 962)	611 000	(25 098 962)	(23 722 047)
Remuneration of councillors	(2 750 669)	353 000	(3 103 669)	(2 943 509)
Depreciation and asset impairment	(3 300 000)	3 803 656	(7 103 656)	(7 102 997)
Materials and bulk purchases	(18 867 507)	178 000	(19 045 507)	(18 194 021)
Other expenditure	(22 853 862)	15 573 344	(38 427 206)	(32 282 688)
Total expenditure	**(72 260 000)**	**20 519 000**	**(92 779 000)**	**(84 245 262)**
Surplus/(Deficit)				**10 909 282**
Transfers recognised - capital				15 491 641
Surplus (Deficit) after capital transfers and contributions				**26 400 923**
Surplus/(Deficit) for the year				**26 400 923**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				24 303 860
Net cash from (used) investing				(21 181 888)
Net increase/(decrease) in cash and cash equivalents				**3 121 972**
Cash and cash equivalents at the beginning of the year				46 137 063
Cash and cash equivalents at year end				**49 259 035**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Biological assets

The entity recognises a biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of the pine plantations is based on the combined fair value of the land and the pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets is included in surplus or deficit for the period in which it arises.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years
Air-conditioners	15 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. All assets that qualify as minor assets are depreciated in full in the year in which they were acquired .

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	
• Land	indefinite
Buildings	
• Dwellings	30 Years
• Car ports	15 Years
• Fence	25 Years
Plant and machinery	
• Machinery	4 Years
Furniture and fixtures	
• Furniture	7 Years
Motor vehicles	
• Private Motor Vehicles	7 Years
• Bakkies/ Double Cabs	10 Years
• Trailers/ TLB	10 Years
Office equipment	
• Computer Equipment	10 Years
IT equipment	
• Computer Hardware	5 Years
• IT network	7 Years
Infrastructure	
• Dwellings	30 Years
• Bus Shelters	15 Years
• Transformers	50 Years
• Cables	45 Years
• Lines Overheads	30 Years
• Feeder Panel	40 Years
• Festive Lights	10 Years
• Asphalt Paved Roads	20 Years
• Asphalt Surface Roads	50 Years
• Unpaved Roads	30 Years
• Landfill Site	50 Years
Community	
• Non Residential Buildings	30 Years
• Cemetries	15 Years
• Cemetry Parking	30 Years
Other property, plant and equipment	
• Stoves	10 Years
• Street Lights	40 Years
Other equipment	
• Advertising Equipments	10 Years
• Traffic Equipments	7 Years
• Speed Equipments	5 Years

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Licenses	10 Years
Computer software, other	5 Years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Accounting Policies

1.8 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;

Accounting Policies

1.8 Financial instruments (continued)

- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.9 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.11 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

Accounting Policies

1.11 Construction contracts and receivables (continued)

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.14 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.15 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue arising from the use by others of entity assets yielding interest, similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Transfer of functions between entities not under common control

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Accounting Policies

1.25 Transfer of functions between entities not under common control (continued)

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

(a) identifying the acquirer;

(b) determining the acquisition date;

(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and

(d) recognising the difference between (c) and the consideration transferred to the seller.

The acquisition date is the date on which the municipality obtains control of the acquiree.

Initial recognition

As of the acquisition date, the acquirer shall recognise, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

At the acquisition date, the municipality shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The municipality shall make those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date

The municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

Subsequent measurement

In general, an acquirer shall subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature. t

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 106 : Transfer of functions between entities not under common control	**Effective date: Years beginning on or after 01 April 2015**	**Expected impact: The standard will have no impact in the current year, however in the next financial year the municipality will receive some wards from Ntambanana.The assets and liabilities to be received will have to be value under the provisions of GRAP 106**

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, for which the effective date has not been detemined.:

GRAP 18 : Segment Reporting	**Effective date: The minister of finance has not yet determined the effective date for application by the municipalities**	**Expected Impaact : The starndard will have no impact on the municipalities operations.**

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 April 2015 or later periods but are not relevant to Mthonjaneni's operations:

GRAP 105 :Transfer of functions between entities under common control. **GRAP 107 : Mergers**	**Effective date: Years beginning on or afterc 01 April 2015**	**The starndards will have no impact on the oppertions of the municipality**

3. Biological assets

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Plants	2 661 916	-	2 661 916	2 264 535	-	2 264 535

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

3. Biological assets (continued)

Reconciliation of biological assets - 2016

	Opening balance	Gains or losses arising from changes in fair value	Total
Plants	2 264 535	397 381	2 661 916

Reconciliation of biological assets - 2015

	Opening balance	Impairment loss	Total
Plants	3 971 018	(1 706 483)	2 264 535

4. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 742 760	(375 169)	2 367 591	2 742 760	(334 340)	2 408 420

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	2 408 420	(40 829)	2 367 591

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	2 449 250	(40 830)	2 408 420

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

5. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	2 562 011	-	2 562 011	2 562 011	-	2 562 011
Buildings	49 060 255	(10 084 804)	38 975 451	41 557 980	(8 615 153)	32 942 827
Infrastructure	126 467 565	(10 364 036)	116 103 529	97 889 731	(7 426 318)	90 463 413
Other property, plant and equipment	13 428 124	(6 488 458)	6 939 666	12 427 902	(5 161 059)	7 266 843
Assets under construction	23 025 434	-	23 025 434	26 485 034	-	26 485 034
Total	**214 543 389**	**(26 937 298)**	**187 606 091**	**180 922 658**	**(21 202 530)**	**159 720 128**

Reconciliation of property, plant and equipment - 2016

	Opening balance	**Additions**	**Transfers**	**Depreciation**	**Total**
Land	2 562 011	-	-	-	2 562 011
Buildings	32 942 827	20 398	7 481 876	(1 469 650)	38 975 451
Infrastructure	90 463 413	395 950	28 181 885	(2 937 719)	116 103 529
Other property, plant and equipment	7 266 843	1 000 222	-	(1 327 399)	6 939 666
Assets under construction	26 485 034	32 204 161	(35 663 761)	-	23 025 434
	159 720 128	**33 620 731**	**-**	**(5 734 768)**	**187 606 091**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	2 562 011	-	-	-	-	2 562 011
Buildings	34 654 291	276 404	-	(1 438 885)	(548 983)	32 942 827
Infrastructure	66 554 980	329 149	25 436 473	(1 857 189)	-	90 463 413
Other property, plant and equipment	6 937 298	1 806 345	-	(1 322 610)	(154 190)	7 266 843
Assets under construction	33 151 517	18 769 990	(25 436 473)	-	-	26 485 034
	143 860 097	**21 181 888**	**-**	**(4 618 684)**	**(703 173)**	**159 720 128**

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Total
Opening balance	26 485 033	26 485 033
Additions/capital expenditure	32 216 628	32 216 628
Transferred to completed items	(35 663 761)	(35 663 761)
	23 037 900	**23 037 900**

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Total
Opening balance	33 151 516	33 151 516
Additions/capital expenditure	18 769 990	18 769 990
Transferred to completed items	(25 436 473)	(25 436 473)
	26 485 033	**26 485 033**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

5. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Intangible assets

	2016			2015		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	218 543	(119 545)	98 998	211 544	(86 227)	125 317

Reconciliation of intangible assets - 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	125 317	6 999	(33 318)	98 998

Reconciliation of intangible assets - 2015

	Opening balance	**Amortisation**	**Total**
Computer software, other	159 145	(33 828)	125 317

7. Heritage assets

	2016			2015		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	589	-	589	589	-	589

Reconciliation of heritage assets 2016

	Opening balance	**Total**
Historical monuments	589	589

Reconciliation of heritage assets 2015

	Opening balance	**Total**
Historical monuments	589	589

8. Employee benefit obligations

Defined benefit plan

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased. This recommendation is presently being implemented.

The plan is a post employment medical benefit plan.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

8. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2 563 000	1 439 000
Net expense recognised in the statement of financial performance	(18 953)	1 124 000
	2 544 047	**2 563 000**

Net expense recognised in the statement of financial performance

Current service cost	168 000	31 000
Interest cost	239 000	127 000
Actuarial (gains) losses	(355 953)	1 014 000
Settlement	-	(48 000)
Expected return on reimbursement rights	(70 000)	-
	(18 953)	**1 124 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(18 953)	1 124 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,76 %	9,00 %
Medical cost trend rates	8,75 %	8,00 %
Net discount Rate - Health care cost inflation	0,93 %	0,86 %
maximum subsidy inflation rate	6,19 %	7,00 %
Net discount rate- maximum subsidy inflation	3,37 %	1,00 %

9. Inventories

Consumable stores	166 232	180 833
Maintenance materials	293 404	300 321
	459 636	**481 154**

10. Receivables from exchange transactions

11. Receivables from non-exchange transactions

Fines	10 695 188	11 348 774
Rates and other Taxes	8 261 113	4 141 262
	18 956 301	**15 490 036**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

11. Receivables from non-exchange transactions (continued)

Reconciliation of receivables from non-exchange transactions (Rates):

Gross Balance	8 391 860	4 415 923
Allowance for Impairment	(579 398)	(274 660)
Net Balance	7 812 462	4 141 263

Rates : Ageing		
Current (0-30 days)	380 194	1 676
31-60 days	432 038	261 510
61-90 days	411 090	164 926
91-120 days	395 385	151 215
121-365 days	6 773 153	3 836 596
Allowance for impairment	(579 398)	(274 660)
	7 812 462	**4 141 263**

Reconciliation of Allowance for impairment (Rates)		
Balance at the beginning of the year	(274 660)	(205 717)
Contribution during the year	(304 738)	(68 943)
	(579 398)	**(274 660)**

Reconciliation of receivables from non-exchange transactions (Traffic Fines)

Gross Balance	55 992 036	35 464 921
Provision for impairment	(45 296 848)	(24 116 147)
Net Balance	**10 695 188**	**11 348 774**

Reconciliation of allowance for debt impairment (Traffic fines)

Traffic fines		
Openning Balance	(24 116 146)	(16 759 018)
Contribution during the year	(21 180 702)	(7 357 128)
	(45 296 848)	**(24 116 146)**

The municipality has one traffic fine billing system. TMT is the outsourced service provider which is responsible for the system used to issue fines for speed traffic offenders. The municipality has two types of fines : spot fines and summonses. Both TMT and the municipality work closely with the Magistrites court to ensure the accurate recording of the status of fines (including the statuses of summons, appeals, fine withdwan etc). Monies collected by the Magistrate are transferred to the municipality's bank account.

12. VAT receivable

VAT	987 522	239 758

13. Consumer debtors

Gross balances		
Electricity	3 621 271	2 558 325
Refuse	920 437	536 056
Other Debtors	95 155	696 728
	4 636 863	**3 791 109**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Consumer debtors (continued)

Less: Allowance for impairment		
Electricity	(85 705)	(40 095)
Refuse	(115 673)	(39 966)
	(201 378)	**(80 061)**

Net balance		
Electricity	3 535 566	2 518 230
Refuse	804 764	496 090
Other Debtors	95 155	696 728
	4 435 485	**3 711 048**

Included in above is receivables from exchange transactions		
Electricity	3 535 566	2 518 230
Refuse	804 764	496 090
Other Debtors	62 156	696 728
	4 402 486	**3 711 048**

Net balance	**4 402 486**	**3 711 048**

Electricity		
Current (0 -30 days)	2 336 253	1 698 787
31 - 60 days	153 586	20 120
61 - 90 days	97 363	18 420
91 - 120 days	58 549	17 344
121 - 365 days	889 815	763 559
	3 535 566	**2 518 230**

Refuse		
Current (0 -30 days)	168 927	139 921
31 - 60 days	37 259	22 995
61 - 90 days	33 622	19 713
91 - 120 days	32 123	14 009
121 - 365 days	532 833	299 452
	804 764	**496 090**

Other (specify)		
Current (0 -30 days)	95 155	696 728

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Consumer debtors (continued)

Total Ageing

Total		
Current (0 -30 days)	2 584 697	2 506 758
31 - 60 days	200 970	45 284
61 - 90 days	138 877	40 053
91 - 120 days	97 172	32 942
121 - 365 days	1 582 148	1 166 072
	4 603 864	3 791 109
Less: Allowance for impairment	(168 379)	(80 061)
	4 435 485	**3 711 048**

Less: Allowance for impairment		
Current (0 -30 days)	(71 495)	(18 614)
31 - 60 days	(10 125)	(2 168)
61 - 90 days	(7 892)	(1 920)
91 - 120 days	(6 500)	(1 589)
121 - 365 days	(105 366)	(55 770)
	(201 378)	**(80 061)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(80 061)	(49 396)
Contributions to allowance	(121 317)	(30 665)
	(201 378)	**(80 061)**

Summary of debtors by consumer classification

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Consumer debtors (continued)

Consumers		
Current (0-30) days	260 400	324 015
31-60 days	189 598	206 341
61-90 days	133 129	160 333
91-120 days	121 149	143 081
121-365 days	2 456 180	4 137 506
Allowance for impairment	(780 777)	(371 669)
	2 379 679	**4 599 607**

Commercial/Industrial		
Current (0-30) days	159 958	45
31-60 days	238 132	16 329
61-90 days	196 477	16 097
91-120 days	166 392	15 637
121-365 days	2 582 342	1 057 146
	3 343 301	**1 105 254**

National and Provincial Government		
Current (0-30) days	81 784	53 576
31-60 days	145 894	84 124
61-90 days	137 431	28 549
91-120 days	123 984	25 437
121-365 days	2 314 655	924 262
	2 803 748	**1 115 948**

Agriculture		
Current(0-30) days	3 783	-
31-60 days	75 991	-
61-90 days	75 696	-
91-120 days	74 960	-
11-365 days	2 191 373	-
	2 421 803	**-**

Vacant land		
Current (0-30)days	417	-
31-60 days	10 315	-
61-90 days	7 233	-
91-120 days	6 072	-
121-365 days	465 023	-
	489 060	**-**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	746	746
Bank balances	1 825 909	5 804 585
Short-term investment	40 643 665	43 453 768
	42 470 320	**49 259 099**

Figures in Rand	2016	2015

14. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

	2016	2015
Total financial assets pledged as collateral. An amount of R1 540 000 is used as guarantee to Eskom in relation to electricity supply. The amount will be payable to Eskom should the municipality fail to pay for its electricity.	1 540 000	1 540 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
First National Bank - Current (main) - 54980006117	1 749 594	5 689 772	3 016 628	1 816 559	5 794 585	3 096 433
First National Bank - Current - 62330092470	9 350	10 000	12 465	9 350	10 000	12 465
Investec Bank - Call Account - 1100-435097-501	10 056 219	16 082 877	6 033 396	10 056 219	16 082 877	6 033 396
First National Bank - Fixed Deposit -71245040078	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000
First National Bank - Call Account - 62051262146	499 543	499 556	500 000	499 543	499 556	500 000
NedBank - Fixed Deposit - 03/7881083174/000010	-	25 331 336	25 870 397	-	25 331 336	25 870 397
NedBank - Fixed Deposit - 03/7881083174/000011	-	-	9 083 626	-	-	9 083 626
First National Bank- Call Account- 62532053204	3 172 964	-	-	3 172 964	-	-
Investec Bank - Wholesale Deposit - 1100-435097-451	25 374 938	-	-	25 374 938	-	-
Total	**42 402 608**	**49 153 541**	**46 056 512**	**42 469 573**	**49 258 354**	**46 136 317**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2016	2015
Unspent conditional grants and receipts		
Electrification	-	118 359
COGTA	176 776	176 776
	176 776	**295 135**

Movement during the year

	2016	2015
Balance at the beginning of the year	295 135	-
Additions during the year	26 621 000	21 880 000
Income recognition during the year	(26 739 359)	(21 584 865)
	176 776	**295 135**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

16. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	1 183 527	2 362 058	-	-	3 545 585
Provision for Bonuses	485 657	188 738	(264 903)	-	409 492
Long Service Awards	1 199 000	146 000	-	(222 838)	1 122 162
	2 868 184	**2 696 796**	**(264 903)**	**(222 838)**	**5 077 239**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	4 615 810	-	-	(3 432 283)	1 183 527
Provision for Bonuses	345 937	392 009	(252 289)	-	485 657
Long Service Awards	-	1 199 000	-	-	1 199 000
	4 961 747	**1 591 009**	**(252 289)**	**(3 432 283)**	**2 868 184**

	2016	2015
Non-current liabilities	4 667 747	2 382 527
Current liabilities	409 492	485 657
	5 077 239	**2 868 184**

17. Payables from exchange transactions

	2016	2015
Trade payables	1 537 628	207 732
Payments received in advanced	1 458 579	460 801
Retention	2 380 442	1 690 664
Sundry Creditors	1 264 434	689 778
Accrued leave pay	1 950 059	1 709 358
	8 591 142	**4 758 333**

18. Consumer deposits

	2016	2015
Electricity	691 250	681 620
Housing rental	334 640	337 322
	1 025 890	**1 018 942**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

19. Revenue

Service charges	20 521 760	20 576 708
Rental of facilities and equipment	247 044	366 402
Licences and permits	2 070 427	2 359 911
Other income	964 392	4 911 115
Interest received - investment	3 283 879	2 901 295
Property rates	9 722 820	7 361 564
Property rates - penalties imposed	728 329	678 305
Government grants & subsidies	65 702 359	53 258 865
Fines, Penalties and Forfeits	24 308 963	18 232 020
	127 549 973	**110 646 185**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	20 521 760	20 576 708
Rental of facilities and equipment	247 044	366 402
Licences and permits	2 070 427	2 359 911
Other income - (rollup)	964 392	4 911 115
Interest received - investment	3 283 879	2 901 295
	27 087 502	**31 115 431**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	9 722 820	7 361 564
Property rates - penalties imposed	728 329	678 305
Transfer revenue		
Government grants & subsidies	65 702 359	53 258 865
Fines, Penalties and Forfeits	24 308 963	18 232 020
	100 462 471	**79 530 754**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

20. Property rates

Rates received

Residential	2 519 491	2 380 631
Commercial	4 256 451	2 810 420
State	1 750 243	747 928
Public Service Infrustructure	20	-
Agriculture	1 057 044	-
Light Industries	-	1 107 352
Heavy Industries	-	315 233
Vacant Land	139 571	-
	9 722 820	7 361 564
Property rates - penalties imposed	728 329	678 305
	10 451 149	**8 039 869**

Valuations

Residential	393 052 000	190 455 700
Commercial	313 808 000	167 621 500
State	187 796 000	112 794 600
Rates (PSI)	69 056 232	8 661 900
Place of Worship	9 835 000	-
Agriculture	920 330 000	253 893 800
Other Properties	-	1 119 920 400
Public Benefit Organisation(PBO)	320 000	-
Public Service Infrustructure (PSI)	91 300	-
Vacant Land	11 277 000	-
	1 905 565 532	**1 853 347 900**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2019.

21. Service charges

Service charges	101 219	209 661
Sale of electricity	19 066 130	19 239 302
Refuse removal	1 354 411	1 127 745
	20 521 760	**20 576 708**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

22. Government grants and subsidies

Operating grants		
Equitable share	38 963 000	31 674 000
EPWP	2 264 000	2 375 000
FMG	1 800 000	1 800 000
MSIG	930 000	934 000
Library	723 000	535 000
COGTA	-	323 224
Cybder caddet	-	126 000
	44 680 000	37 767 224
Capital grants		
MIG	12 904 000	12 610 000
Electrification	8 118 359	2 881 641
	21 022 359	15 491 641
	65 702 359	**53 258 865**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	26 739 359	21 584 865
Unconditional grants received	38 963 000	31 674 000
	65 702 359	**53 258 865**

Equitable Share

MIG

Current-year receipts	12 904 000	12 610 000
Conditions met - transferred to revenue	(12 904 000)	(12 610 000)
	-	-

INEG

Balance unspent at beginning of year	118 359	-
Current-year receipts	8 000 000	3 000 000
Conditions met - transferred to revenue	(8 118 359)	(2 881 641)
	-	**118 359**

Library

Current-year receipts	723 000	661 000
Conditions met - transferred to revenue	(723 000)	(661 000)
	-	-

EPWP

Current-year receipts	2 264 000	2 375 000
Conditions met - transferred to revenue	(2 264 000)	(2 375 000)
	-	-

MSIG

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

22. Government grants and subsidies (continued)

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-

FMG

Current-year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
	-	-

COGTA

Balance unspent at beginning of year	176 776	-
Current-year receipts	-	500 000
Conditions met - transferred to revenue	-	(323 224)
	176 776	**176 776**

23. Other income

Sundry Income	861 697	4 383 469
Building Plan Fees	9 594	16 590
Cemetry Fees	24 314	41 939
Business Licenses	2 831	2 000
Swimming Pool	83	6 836
Rates Clearance Certificate	2 164	2 409
Hoardings	26 269	421 756
Photocopying	27 959	28 101
Valuation Certificates	-	279
Insurance Claim	-	7 736
IT Mandary Grant	9 481	-
	964 392	**4 911 115**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. General expenses

Advertising	400 690	273 882
Assessment rates & municipal charges	40 226	-
Auditors remuneration	3 313 208	1 487 696
Bank charges	77 941	162 120
Cleaning	256 725	263 964
Pauper Burial	349 088	302 500
Consulting and professional fees	722 999	219 197
Consumables	310 756	293 504
Contributions to bad debt provision	24 277 791	8 268 931
Food for Waste	-	876 182
Job Evaluation	-	10 000
Insurance	17 982	351 403
Cultural/Sports activities	492 418	287 206
Conferences and seminars	480 031	488 108
Consulting (Assets Unbundling)	106 000	175 000
Informal traders	5 691	8 136
Uthungulu Water	162 061	92 105
Indigent Register	-	129 000
Perfomance Management Support	-	60 000
Indigent Support	13 394	80 000
Special Programmes	145 306	63 972
Fuel and oil	669 944	535 816
Vending System	210 907	-
Printing and stationery	408 145	378 379
Annual Report	141 800	-
Protective clothing	197 687	251 377
LED Projects	98 093	88 528
Grants in aid	-	40 000
Security (Guarding of municipal property)	1 273 195	1 237 810
General Valuation Roll	-	777 930
Staff welfare	93 195	34 848
Subscriptions and membership fees	560 456	656 304
Telephone and fax	642 965	662 227
Transport and freight	197 586	149 971
Subsistance and travelling	327 836	324 006
Grants Expenditure	5 317 408	5 184 765
Refuse	328 048	397 815
Staff development	311 621	155 346
Minor Assets	395 445	984 282
Tourism development	104 000	90 000
Bursaries	148 460	76 000
Disaster Management	57 672	121 188
Inspection fees	1 352	1 415
Ward Committees	286 204	399 920
Public participation	149 777	142 786
Ward projects	-	50 000
Workmens compensation	142 442	165 010
OPS Room	-	199 646
Other expenses	1 323 137	152 304
	44 559 682	**27 150 579**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. Employee related costs

Basic	16 089 309	14 443 377
Bonus	188 738	139 721
Medical aid - company contributions	1 135 193	979 633
UIF	133 995	150 834
SDL	226 967	211 299
Allowances	511 541	512 335
Overtime	1 099 506	1 016 740
Defined contribution plans	1 973 963	1 794 474
Travel, motor car, accommodation, subsistence and other allowances	649 581	628 975
Long-service awards	117 647	36 608
Housing benefits and allowances	46 800	46 800
	22 173 240	**19 960 796**

Remuneration of municipal manager

Annual Remuneration	823 196	783 996
Car Allowance	175 375	167 710
Performance Bonuses	79 463	75 679
Contributions to UIF, Medical and Pension Funds	1 872	11 819
Skills	10 429	-
Less bonuses paid via Provision vote	(79 463)	-
	1 010 872	**1 039 204**

Remuneration of chief finance officer

Annual Remuneration	709 794	675 994
Car Allowance	182 570	174 629
Performance Bonuses	97 134	92 509
Contributions to UIF, Medical and Pension Funds	1 872	11 069
Skills	9 529	-
Less bonus paid from Provision vote	(97 134)	-
	903 765	**954 201**

Remuneration of Technical directors

Annual Remuneration	717 665	683 491
Car Allowance	165 380	157 505
Performance Bonuses	88 304	84 100
Contributions to UIF, Medical and Pension Funds	1 871	10 802
Skills	9 383	-
Less bonus paid from provision vote	(88 304)	-
	894 299	**935 898**

Remuneration of corporate director

Annual Remuneration	-	731 666
Car Allowance	-	91 000
Contributions to UIF, Medical and Pension Funds	-	9 282
	-	**831 948**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

26. Remuneration of councillors

Executive Major	352 195	364 690
Deputy Executive Mayor	280 794	294 300
Mayoral Committee Members	553 516	540 557
Speaker	310 150	294 025
Councillors	1 403 454	1 204 395
Councillors' pension contribution	267 894	245 542
	3 168 003	**2 943 509**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are part-time. They are provided with an office and secretarial support at cost of the Council.

The Mayor, Speaker and Deputy Mayor each have the use of the Council owned vehicles for official use.

The Mayor and the Speaker each have two full-time bodyguards.

27. Permits and Licences

Licences	1 780 072	2 101 875
Registration	220 805	202 526
Vehicles	69 550	55 510
	2 070 427	**2 359 911**

28. Rental of Facilities and Equipments

Ranks and Stall Fees	210	1 183
Commonage	159 090	151 163
Hire of halls	43 721	48 046
Lease of Townlands	-	134 269
Staff Housing	34 023	31 741
	237 044	**366 402**

29. Investment revenue

Interest revenue		
Interest on Investments	3 283 879	2 901 295

30. Fair value adjustments

Biological assets - (Fair value model)	397 381	-

31. Depreciation and amortisation

Property, plant and equipment	5 734 769	4 618 684
Invesment Property	40 829	40 829
Intangible assets	33 318	33 828
	5 808 916	**4 693 341**

32. Impairment of assets

Impairments		
Property, plant and equipment	-	2 409 656

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

33. Auditors' remuneration

Fees	3 313 208	1 487 696

34. Contracted services

Operating Leases	311 592	-
Law Enforcement	1 847 629	2 366 269
	2 159 221	**2 366 269**

35. Repairs and maintanance

Buildings	1 806 215	610 456
Computers	29 277	33 935
Street lights Thubalethu	52 900	-
LV HV upgrade	383 390	-
Street lights	62 833	-
Equipments	513 205	501 915
Roads and sidewalks	3 655 020	306 552
Rural grass cutting	88 950	97 656
Refuse Sites	397 314	387 160
Vehicles	785 392	828 166
Furniture	1 850	-
	7 776 346	**2 765 840**

36. Bulk purchases

Electricity	19 079 101	18 194 021

37. Cash generated from operations

Surplus	20 432 862	25 276 923
Adjustments for:		
Depreciation and amortisation	5 808 916	4 693 341
Fair value adjustments	(397 381)	-
Impairment deficit	-	2 409 656
Movements in retirement benefit assets and liabilities	(18 953)	267 000
Movements in provisions	2 209 055	(2 093 563)
Changes in working capital:		
Inventories	21 518	139 460
Consumer debtors	(724 437)	(875 077)
Other receivables from non-exchange transactions	(3 466 265)	(7 412 847)
Payables from exchange transactions	3 832 809	1 047 861
VAT	(747 764)	553 255
Unspent conditional grants and receipts	(118 359)	295 135
Consumer deposits	6 947	2 716
	26 838 948	**24 303 860**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	2 850 919	1 811 850

Total capital commitments		
Already contracted for but not provided for	2 850 919	1 811 850

Total commitments

Total commitments		
Authorised capital expenditure	2 850 919	1 811 850

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 370 164	31 674
- in second to fifth year inclusive	2 514 624	-
	3 884 788	**31 674**

Operating lease payments represent rentals payable by the municipality in respect of switch boards line. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	140 000	140 000
- in second to fifth year inclusive	560 000	560 000
- later than five years	326 667	466 667
	1 026 667	**1 166 667**

Certain commonage and vacant land is held to generate rental income. Lease agreements are non-cancellable and there are no contingent rents receivable.

Figures in Rand		2016	2015

39. Related parties

The following councillors and key management owes the municipality in respect of the traffic fines as at 31 March 2016.

Related party balances

R.P Mnguni	: Municipal Manager	14 400	9 000
P.P Sibiya	: Acting Municipal Manager	15 800	-
T.N Simamane	: CFO	3 300	-
M.N Ndlangamandla	Councillor	4 950	4 950
S.B.K Biyela	: Deputy Mayor	150	-
N.A Jiyane	: Speaker	2 900	2 900
GVP Gumede	: Councillor	1 350	-
H.K Zungu	: Councillor	5 150	4 700
E.N Masikane	: Councillor	350	200
P.E Ntombela	: Councillor	2 150	1 250
B.M Ndwandwe	: Councillor	650	250
MR P.T Xulu	: Directer Technical	1 150	-
MR N.W Zikhali	: Acting Director Corporate	4 400	-

Remuneration of senior Managers

Remunertion of Municipal Manager		
Annual Remuneration	823 196	783 996
Car Allowance	175 375	167 710
Performance Bonus	79 463	75 679
Contribution to UIF, Medical and Pention Fund	1 872	11 819
Skills Levy	10 429	-
	1 090 335	**1 039 204**

Remuneration of Chief Financial Officer		
Annual Remuneration	709 794	675 994
Car Allowance	182 570	174 629
Performance Bonus	97 134	92 509
Contribution to UIF, Medical and Pention Fund	1 872	11 069
Skills Levy	9 529	-
	1 000 899	**954 201**

Remunertion of Technical Director		
Annual Remunertion	717 665	683 491
Car Allowance	165 380	157 505
Performance Bonus	88 304	84 100
Cotribution to UIF, Medical and Pention Fund	1 871	10 802
Skills Levy	9 382	-
	982 602	**935 898**

Figures in Rand	2016	2015

40. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Financial liabilities exposed to credit risk at year end are as follows.

Financial Liabilities		
Trade and other payables from exchange transactions	8 591 142	4 615 356

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

Cash and cash equivalent	42 470 320	49 259 099
Trade and other recivables	23 367 574	19 136 852

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

41. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors which includes amongs other the following:
(a) The accounting officer continue to procure funding for the ongoing operations for the municipality.
(b) The Municipality have not loss any of key customers or principal suppliers.
(c) The municipality does not experience labour difficulties.
(d) The municipality does not have shortage of important suppliers.
(e) Financial indicators(ratios), financial results,bank account balance and net asset are all positive.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

42. Unauthorised expenditure

Oppening Balance	19 564 161	19 564 161
Add Current year	12 056 755	-
	31 620 916	**19 564 161**

43. Fruitless and wasteful expenditure

Opening Balance	13 085	827
Add: Current year	-	12 258
	13 085	**13 085**

44. Irregular expenditure

Opening balance	43 867 018	34 843 192
Add: Irregular Expenditure - current year	20 368 288	9 023 826
	64 235 306	**43 867 018**

Analysis of expenditure awaiting condonation per age classification

Current year	20 368 288	9 023 826
Prior years	43 867 018	34 843 192
	64 235 306	**43 867 018**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
A bid Adjudication Committee should consist of atleast four senour managers, the municipality's adjudication commettee have only three senior managers as a result all expenditure incurred through competitive biding process become irregular.	Not necessary	64 235 306

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	284 127	271 036
Amount paid - current year	(284 127)	(271 036)
	-	-

Material Distribution losses

Units lost (Kilowats)	2 013 525	1 643 877
Units lost (Selling Price)	2 518 215	1 857 582
Units lost (Purchase Price)	2 255 148	1 637 302
Units lost (Percentage)	11.75 %	8.99%

Audit fees

Current year subscription / fee	1 711 014	1 057 954
Amount paid - current year	(1 711 014)	(1 057 954)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	3 865 938	3 740 329
Amount paid - current year	(3 865 938)	(3 740 329)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	5 375 939	4 870 319
Amount paid - current year	(5 375 939)	(4 870 319)
	-	-

VAT

VAT receivable	987 522	239 758

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor N.A Jiyane (Speaker)	323	16 387	16 710

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
Speaker : Councillor Jiyane	17 208	180
Counciller Masikane	391	180
	17 599	**360**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Emergency	13 837	7 933
Impractical and impossible to follow official SCM processes	251 867	174 561
Single Supplier	5 000	-
	270 704	**182 494**

46. Events after the reporting date

46.1 According to GRAP 14, events after the reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the end of the reporting date (adjusting events after the reporting date); and

(b) those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events are recognised in the financial statements of the period just ended, whereas non-adjusting events are not recognised.

The redercamation of municipal boundaries resulted in Ntambanana Municipality being dissolved and wards redistributed to three municipalities, which are Mhlathuze, Mfolozi and Mthonjaneni. On the 3rd of August 2016 elections took place and a new council was formed which incorporate four wards from Ntambanana Municipality due to the dermacation processes. This is a non- adjusting event as it is indicative of conditions that arose after the reporting date.

As a result of the above event Mthonjaneni Municipality will recieve,12 Employees, Assets(movables and immovables) and Liabilities. The population of the municipality will increase which will result in an increase of grants allocations. The financial estimate of the above mentioned event in rand terms cannot be made at the present moment.

46.2 The Chief Financial Officer of Mthonjaneni Municipality (Ms Tholakele Simamane) has resigned from her duties with effect from 10 August 2015. The Deputy Chief Financial Officer (Mr Skhumbuzo Mbuyazi) is currently acting on the position.

47. Contigent Liabilities

On 22 March 2016 the Municipal Manager of Mthonjaneni alleged for fraud, maladministration and failure to exercise fiduciary role over the finances of the municipality. As at 30 June 2016 the investigation and disciplinary hearings were still in progress The estimated amount of litigation pending the outcome of the case is R693 983.52 gross.

48. Budget differences

Material differences between budget and actual amounts

- Contracted Services:
The variance between actual and the final budget of 25% for the contracted services was due to fact that the collection rate of traffic fines decreased during the year which resulted in a decrease of the commission paid to TMT, as the commission is based on the number of tickets collected.

-General Expenses
A negetive variance between actual and the final budget of 19% for general expenses was due to the fact that there was an incease in the revenue from traffic fines while the collection redused which resulted in a provision for bad debt from traffic fines increase much more than anticipated

-Employee benefites
A variance between actual and the final budget of 9% for eployee related cost was due to the saving made on the funded posts that were not filled during the year.

- Rental of Facilities
The variance between actual and both the approved and the final budget of 49% for rental of facilities was due to the fact that some facilities were not utilised as anticipated.

- Licences and Permits
The variance between actual and the final budget of 42% for licences and permits was due to the fact that the municipality did not issue as much of licenes and permites as projected.

- Rates
The variance between actual and both the approved and the final budget of 17% for rates was due to the fact that the municipality did not bill as much of rates as projected.

48. Budget differences (continued)

- Revenue from Traffic Fines
A positive variance of 29% between final budget of revenue from fines and the actual revenue from fines reslted from the fact that more people disobeyed the rules of the road than anticipated .

- Service Charges
A negetive variance of 12% between final budget of service charges and the actual revenue from service charges reslted from the fact that there was a reduction in electricity consumption becouse of the current drought. Poeple and businesses consumed less electricity than anticipated .

- Interest on investments
The municipality recorded a positive variance of 11% on the interest from investments. This is due to the fact that the municipality invested with the institutions which offered greater return on investements (at a rate better than anticipated) .

45. Unaudited Supplementary Schedules

The supplementary Information presented below does not form part of the Annual Financial Statements and is unaudited.

Mthonjaneni Local Municipality

Mthonjaneni Local Municipality

Appendix B
June 2016

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	2 562 011	-	-	-	-	-	2 562 011	-	-	-	-	-	-	2 562 011
Landfill Sites (Seperate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	41 557 960	20 398	-	7 481 876	-	-	49 060 254	(8 615 153)	-	-	(1 469 789)	-	(10 084 942)	38 975 312
	44 119 991	20 398	-	7 481 876	-	-	51 622 265	(8 615 153)	-	-	(1 469 789)	-	(10 084 942)	41 537 323
Infrastructure														
Roads, Pavements & Bridges	62 740 189	-	-	14 813 500		-	77 553 689	(3 668 162)			(1 655 489)	-	(5 323 651)	72 230 038
Storm water	-	-	-	-			-	-			-	-	-	-
Generation	-	-	-				-	-			-	-	-	-
Transmission & Reticulation	34 841 031	395 950	13 368 363		-		48 605 364	(3 708 112)			(1 268 364)	-	(4 976 476)	43 628 888
Street lighting	-	-	-	-	-	-	-	-			-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-			-	-	-	-
Water purification	-					-	-	-						
Reticulation							-	-						
Reticulation	-						-	-						
Sewerage purification	-						-							
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-						-						-	
Housing	-	-					-	-			-		-	-
Waste Management	308 510					-	308 510	(50 043)	-	-	(13 865)		(63 908)	244 602
Gas	-			-		-	-	-	-	-	-		-	
Other (fibre optic, WIFI infrastructur)	-					-	-	-	-	-	-		-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	97 889 730	395 950	13 368 383	14 813 500	-	-	126 467 563	(7 426 317)	-	-	(2 937 718)	-	(10 364 035)	116 103 528
Community Assets														
Parks & gardens						-	-		-	-				
Sportsfields and stadium					-	-	-		-	-			-	
Swimming pools	-	-			-	-	-		-	-	-	-	-	
Community halls						-	-						-	-
Libraries		-												
Recreational facilities					-	-	-							
Clinics			-	-		-	-							
Museums & art galleries	-	-	-	-		-	-	-						-
Other						-	-	-						
Social rental housing	-					-	-	-			-	-	-	-
Cemeteries	945 750				-	-	945 750	(539 255)	-	-	(58 576)		(597 831)	347 919
Fire, safety & emergency	-	-				-	-	-			-		-	-
Security and policing		-		-	-	-	-	-					-	
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	945 750	-	-	-	-	-	945 750	(539 255)	-	-	(58 576)	-	(597 831)	347 919

Mthonjaneni Local Municipality
Mthonjaneni Local Municipality
Appendix B
June 2016

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	589	-	-	-	-	-	589	-	-	-	-	-	-	589
	589	-	-	-	-	-	589	-	-	-	-	-	-	589
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	8 546 839	618 685	-	-	-	-	9 165 524	(3 233 946)	-		(926 568)	-	(4 160 514)	5 005 010
Plant & equipment	1 551 273	295 547		-	-	-	1 846 820	(523 721)	-	-	(186 578)	-	(710 299)	1 136 521
Computer Equipment	663 247	57 635				-	720 882	(363 369)			(78 799)		(442 168)	278 694
Computer Software (part of computer equipment)	-	-				-	-	-			-		-	-
Furniture & Fittings	720 792	18 895	-	-	-	-	739 687	(500 746)			(76 300)	-	(577 046)	162 641
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased			-	-	-	-	-	-		-			-	-
Abattoirs	-	-			-	-	-	-	-		-		-	-
Markets	-	-					-						-	-
Airports	-	-	-	-	-	-	-				-		-	-
Security measures	-	-	-	-	-	-	-	-	-		-	-	-	-
Civic land and buildings		-	-				-	-	-		-		-	-
Other buildings						-	-	-			-		-	-
Other land			-	-			-				-	-	-	-
Bins and Containers	-	-	-	-			-				-		-	-
Work in progress	26 485 034	32 215 627	-	(35 663 760)	-	-	23 037 901				-		-	23 037 901
Other	-	-	-	-		-	-	-			-		-	
Other Assets - Leased	-	-					-	-					-	-
Surplus Assets - (Investment or Inventory)	-	-		-							-			
Housing development	-	-	-	-						-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	37 967 185	33 207 389	-	(35 663 760)	-	-	35 510 814	(4 621 802)	-	-	(1 268 245)	-	(5 890 047)	29 620 767

Mthonjaneni Local Municipality
Mthonjaneni Local Municipality
Appendix B
June 2016

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	44 119 991	20 398	-	7 461 876			51 622 265	(8 615 153)	-	-	(1 469 789)	-	(10 084 942)	41 537 323
Infrastructure	97 889 730	395 950	13 368 383	14 813 500			128 467 563	(7 426 317)	-	-	(2 937 718)	-	(10 384 035)	116 103 528
Community Assets	945 750	-	-	-			945 750	(539 255)			(58 576)	-	(597 831)	347 919
Heritage assets	589	-					589	-			-		-	589
Specialised vehicles	-	-	-	-	-	-	-	-			-	-	-	-
Other assets	37 967 165	33 207 389	-	(35 663 760)	-	-	35 510 814	(4 621 802)	-	-	(1 268 245)	-	(5 890 047)	29 620 767
	180 923 246	33 623 737	13 368 383	(13 368 384)	-	-	214 546 981	(21 202 527)	-	-	(5 734 328)	-	(26 938 855)	187 610 126
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	2 264 535	-	-	-	397 380	-	2 661 915	-	-	-	-	-	-	2 661 915
	2 264 535	-	-	-	397 380	-	2 661 915	-	-	-	-	-	-	2 661 915
Intangible assets														
Computers - software & programming	211 544	6 999	-	-	-	-	218 543	(86 227)	-	-	(33 318)	-	(119 545)	98 998
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	211 544	6 999	-	-	-	-	218 543	(86 227)	-	-	(33 318)	-	(119 545)	98 998
Investment properties														
Investment property	2 742 760	-	-	-	-	-	2 742 760	(334 339)	-	-	(40 829)	-	(375 168)	2 367 592
	2 742 760	-	-	-	-	-	2 742 760	(334 339)	-	-	(40 829)	-	(375 168)	2 367 592
Total														
Land and buildings	44 119 991	20 398	-	7 461 876	-		51 622 265	(8 615 153)	-	-	(1 469 789)	-	(10 084 942)	41 537 323
Infrastructure	97 889 730	395 950	13 368 383	14 813 500	-	-	128 467 563	(7 426 317)	-	-	(2 937 718)	-	(10 384 035)	116 103 528
Community Assets	945 750	-	-	-	-	-	945 750	(539 255)			(58 576)	-	(597 831)	347 919
Heritage assets	589	-					589	-			-		-	589
Specialised vehicles	-	-	-	-	-	-	-	-		-	-	-	-	-
Other assets	37 967 165	33 207 389	-	(35 663 760)	-	-	35 510 814	(4 621 802)	-	-	(1 268 245)	-	(5 890 047)	29 620 767
Agricultural/Biological assets	2 264 535	-	-	-	397 380	-	2 661 915	-	-	-	-	-	-	2 661 915
Intangible assets	211 544	6 999	-	-	-	-	218 543	(86 227)		-	(33 318)		(119 545)	98 998
Investment properties	2 742 760	-	-	-	-	-	2 742 760	(334 339)	-	-	(40 829)	-	(375 168)	2 367 592
	186 142 084	33 630 736	13 368 383	(13 368 384)	397 380	-	220 170 199	(21 623 093)	-	-	(5 808 475)	-	(27 431 568)	192 738 631

Mthonjaneni Local Municipality
Mthonjaneni Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	2 562 011	-	-	-	-	-	**2 562 011**	-	-	-	-	-	-	2 562 011
Landfill Sites (Seperate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	42 328 691	276 404	(1 047 116)	-	-	-	**41 557 979**	(7 674 401)	1 047 116	-	(1 438 885)	(548 982)	**(8 615 152)**	32 942 827
	44 890 702	**276 404**	**(1 047 116)**	-	-	-	**44 119 990**	**(7 674 401)**	**1 047 116**	-	**(1 438 885)**	**(548 982)**	**(8 615 152)**	**35 504 838**
Infrastructure														
Roads, Pavements & Bridges	62 740 189	-	-	-	-	-	**62 740 189**	(2 052 437)	-	-	(1 615 725)	-	**(3 668 162)**	59 072 027
Storm water	-	-	-	-	-	-	-	-			-	-	-	-
Generation	-	-		-	-	-	-	-			-	-	-	-
Transmission & Reticulation	9 075 407	25 765 624					**34 841 031**	(3 480 513)			(227 599)	-	**(3 708 112)**	31 132 919
Street lighting	-	-	-	-		-	-	-			-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-			-	-
Water purification		-	-			-	-	-					-	
Reticulation	-		-			-	-	-	-	-			-	
Reticulation			-			-	-				-		-	-
Sewerage purification	-		-			-	-				-		-	
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-		-	-	-	-	-	-	-		-		-	
Housing	-					-	-	-	-		-		-	-
Waste Management	308 510		-				**308 510**	(36 179)			(13 864)		**(50 043)**	258 467
Gas	-		-			-	-	-		-	-		-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-		-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	72 124 106	25 765 624	-	-	-	-	97 889 730	(5 569 129)	-	-	(1 857 188)	-	(7 426 317)	90 463 413
Community Assets														
Parks & gardens			-										-	-
Sportsfields and stadium	-	-	-				-						-	
Swimming pools	-	-	-	-	-	-	-	-	-	-		-	-	-
Community halls	-				-	-	-	-	-			-	-	
Libraries	-			-		-			-					
Recreational facilities				-								-	-	-
Clinics			-	-	-	-	-	-	-	-			-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-			-	-	-	-	-	-	-			-	-
Social rental housing	-	-	-	-			-	-			-		-	-
Cemeteries	945 750			-	-		**945 750**	(480 650)			(58 605)		**(539 255)**	406 495
Fire, safety & emergency	-			-		-	-	-		-	-		-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	945 750	-	-	-	-	-	945 750	(480 650)	-	-	(58 605)	-	(539 255)	406 495

Mthonjaneni Local Municipality
Mthonjaneni Local Municipality
Appendix B
June 2016

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	588	-	-	-	-	-	588	-	-	-	-	-	-	588
	588	-	-	-	-	-	588	-	-	-	-	-	-	588
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	7 066 937	1 479 902	-		-	-	8 546 839	(2 341 769)	-		(892 177)	-	(3 233 946)	5 312 893
Plant & equipment	1 701 123	284 188	(434 039)			-	1 551 272	(651 474)	434 039		(193 735)	(112 550)	(523 720)	1 027 552
Computer Equipment	680 349	6 895	(23 997)				663 247	(277 236)	23 997		(95 030)	(15 120)	(363 389)	299 858
Computer Software (part of computer equipment)	-		-				-	-	-		-	-	-	-
Furniture & Fittings	754 181	[illegible]	(68 748)	-	-	-	720 793	(459 913)	68 747	-	(83 062)	(26 519)	(500 747)	220 046
Office Equipment	-		-		-		-	-	-		-	-	-	-
Office Equipment - Leased	-						-						-	
Abattoirs							-		-		-		-	
Markets						-	-				-		-	
Airports		-	-	-		-	-				-		-	
Security measures	-						-				-		-	
Civic land and buildings	-						-							
Other buildings	-						-		-				-	
Other land					-		-		-					
Bins and Containers	-	-	-	-	-		-		-	-				-
Work in progress	33 151 516	18 769 991	-	(25 436 473)			26 485 034					-	-	26 485 034
Other	-	-		-			-				-		-	-
Other Assets - Leased		-		-		-					-		-	
Surplus Assets - (Investment or Inventory)	-	-		-		-								-
Housing development	-	-												-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	43 354 106	20 576 336	(526 784)	(25 436 473)	-	-	37 967 185	(3 730 392)	526 783	-	(1 264 004)	(154 189)	(4 621 802)	33 345 383

Mthonjaneni Local Municipality
Mthonjaneni Local Municipality
Appendix B
June 2016

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	44 890 702	276 404	(1 047 116)			-	44 119 990	(7 674 401)	1 047 116		(1 438 885)	(548 982)	(8 615 152)	35 504 838
Infrastructure	72 124 106	25 765 624	-			-	97 889 730	(5 569 129)	-	-	(1 857 188)	-	(7 426 317)	90 463 413
Community Assets	945 750	-	-			-	945 750	(480 650)	-		(58 605)	-	(539 255)	406 495
Heritage assets	588	-	-	-		-	588	-			-		-	588
Specialised vehicles	-	-	-	-			-	-	-	-	-	-	-	-
Other assets	43 354 106	20 576 336	(526 784)	(25 436 473)	-	-	37 967 185	(3 730 392)	526 783	-	(1 264 004)	(154 189)	(4 621 802)	33 345 383
	161 315 252	46 618 364	(1 573 900)	(25 436 473)	-	-	180 923 243	(17 454 572)	1 573 899	-	(4 618 682)	(703 171)	(21 202 526)	159 720 717
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	3 971 018	-	-	-	-	-	3 971 018	-	-	-	-	(1 706 483)	(1 706 483)	2 264 535
	3 971 018	-	-	-	-	-	3 971 018	-	-	-	-	(1 706 483)	(1 706 483)	2 264 535
Intangible assets														
Computers - software & programming	211 544	-	-	-	-	-	211 544	(52 399)	-	-	(33 829)	-	(86 228)	125 316
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	211 544	-	-	-	-	-	211 544	(52 399)	-	-	(33 829)	-	(86 228)	125 316
Investment properties														
Investment property	2 742 760	-	-	-	-	-	2 742 760	(293 510)	-	-	(40 829)	-	(334 339)	2 408 421
	2 742 760	-	-	-	-	-	2 742 760	(293 510)	-	-	(40 829)	-	(334 339)	2 408 421
Total														
Land and buildings	44 890 702	276 404	(1 047 116)	-		-	44 119 990	(7 674 401)	1 047 116		(1 438 885)	(548 982)	(8 615 152)	35 504 838
Infrastructure	72 124 106	25 765 624	-	-		-	97 889 730	(5 569 129)			(1 857 188)	-	(7 426 317)	90 463 413
Community Assets	945 750	-		-			945 750	(480 650)	-		(58 605)	-	(539 255)	406 495
Heritage assets	588	-	-	-	-	-	588	-	-		-		-	588
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	43 354 106	20 576 336	(526 784)	(25 436 473)		-	37 967 185	(3 730 392)	526 783	-	(1 264 004)	(154 189)	(4 621 802)	33 345 383
Agricultural/Biological assets	3 971 018	-	-	-			3 971 018	-		-	-	(1 706 483)	(1 706 483)	2 264 535
Intangible assets	211 544	-					211 544	(52 399)	-		(33 829)	-	(86 228)	125 316
Investment properties	2 742 760	-	-	-	-	-	2 742 760	(293 510)	-	-	(40 829)	-	(334 339)	2 408 421
	168 240 574	46 618 364	(1 573 900)	(25 436 473)	-	-	187 848 565	(17 800 481)	1 573 899	-	(4 693 340)	(2 409 654)	(23 329 576)	164 518 989

Mthonjaneni Local Municipality
Appendix C
June 2016

Segmental analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	19 454 810	1 689 453	-	-	-	-	**21 144 263**	(6 016 767)	-	-	(1 724 432)	-	**(7 741 199)**	13 403 064
Finance & Admin/Finance	537 623	596 356	-	-	-	-	**1 133 979**	(269 254)	-	-	(4 790)	-	**(274 044)**	859 935
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	14 391 503	7 502 274	-	-	-	-	**21 893 777**	(1 910 754)	-	-	(715 422)	-	**(2 626 176)**	19 267 601
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	3 230 331	756 332	-	-	-	-	**3 986 663**	(639 965)	-	-	(178 402)	-	**(818 367)**	3 168 296
Sport and Recreation	1 211 184	980 643	-	-	-	-	**2 191 827**	(106 999)	-	-	(2 945)	-	**(109 944)**	2 081 883
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	3 152 620	-	-	-	-	-	**3 152 620**	(337 313)	-	-	(12 060)	-	**(349 373)**	2 803 247
Road Transport/Roads	111 705 823	7 716 250	-	-	-	-	**119 422 073**	(6 175 494)	-	-	(1 467 596)	-	**(7 643 090)**	111 778 983
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	27 238 760	14 383 019	-	-	-	-	**41 621 779**	(5 745 981)	-	-	(1 628 681)	-	**(7 374 662)**	34 247 117
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	180 922 654	33 624 327	-	-	-	-	214 546 981	(21 202 527)	-	-	(5 734 328)	-	(26 936 855)	187 610 126
Municipal Owned Entities														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Municipality	180 922 654	33 624 327	-	-	-	-	**214 546 981**	(21 202 527)	-	-	(5 734 328)	-	**(26 936 855)**	187 610 126
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Mthonjaneni Local Municipality
Appendix C
June 2016

Segmental analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
180 922 654	33 624 327	-	-	-	-	214 546 981	(21 202 527)	-	-	(5 734 328)	-	(26 936 855)	187 610 126

Mthonjaneni Local Municipality
Appendix D
June 2016

Segmental Statement of Financial Performance for the year ended

Prior Year (30 June 2015) Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Current Year (30 June 2016) Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
-	7 573 778	(7 573 778)	Executive & Council/Mayor and Council	-	10 283 648	(10 283 648)
52 720 334	20 994 618	31 725 716	Finance & Admin/Finance	59 622 472	34 615 493	25 006 979
-	-	-	Planning and Development/Economic Development/Plan	-	-	-
-	-	-	Health/Clinics	-	-	-
30 101	9 774 022	(9 743 921)	Comm. & Social/Libraries and archives	40 270	9 592 645	(9 552 375)
-	-	-	Housing	-	-	-
20 598 580	7 344 224	13 254 356	Public Safety/Police	370 055	17 950 662	(17 580 607)
-	-	-	Sport and Recreation	-	-	-
-	-	-	Environmental Protection/Pollution Control	-	-	-
1 127 745	1 934 736	(806 991)	Waste Water Management/Sewerage	1 354 411	1 841 566	(487 155)
13 801 531	13 035 198	766 333	Road Transport/Roads	39 283 389	10 842 421	28 440 968
-	-	-	Water/Water Distribution	-	-	-
21 831 243	24 223 530	(2 392 287)	Electricity /Electricity Distribution	27 285 707	22 393 778	4 891 929
-	-	-	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
110 109 534	**84 880 106**	**25 229 428**		**127 956 304**	**107 520 213**	**20 436 091**
			Municipal Owned Entities			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
			Other charges			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
110 109 534	84 880 106	25 229 428	Municipality	127 956 304	107 520 213	20 436 091
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Mthonjaneni Local Municipality
Appendix D
June 2016

Segmental Statement of Financial Performance for the year ended

Prior Year (30 June 2015)				Current Year (30 June 2016)		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
110 109 534	84 880 106	25 229 428	Total	127 956 304	107 520 213	20 436 091